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C O N F I D E N T I A L SECTION 01 OF 04 ALMATY 000211

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DEPT FOR E:U/S SHINER; EB/ESC; EUR/SNEC (MANN); EUR/CACEN
(MUDGE)
DEPARTMENT OF AGRICULTURE FOR SECRETARY JOHANNS
DEPARTMENT OF TREASURY FOR UNDERSECRETARY ADAMS

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TAGS: ENRG EPET GA KZ OVIP POLITICAL
SUBJECT: SECRETARY JOHANNS' JANUARY 11, 2006 MEETING WITH
GEORGIAN PRESIDENT SAAKASHVILI

Classified By: AMBASSADOR JOHN ORDWAY FOR REASONS 1.4(B) and (D)

11. (U) Participants in the January 11, 2006 meeting in
Astana, Kazakhstan:

U.S.
Secretary Mike Johanns

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Mrs. Stephanie Johanns
Ambassador John Ordway
Undersecretary of State for Economic, Business and
Agricultural Affairs, Josette Shiner
Undersecretary of Treasury for International Affairs, Timothy
Adams
Deputy Assistant Secretary of State for European and Eurasian
Affairs, Matthew Bryza
Jim Loveland (Embassy Notetaker)

GEORGIA
President Mikhail Saakashvili
Foreign Minister Gela Bezhushvili

12. (C) Summary: Agriculture Secretary Johanns met with
Georgian President Mikhail Saakashvili on January 11 in
Astana, hours after attending the inauguration of Kazakhstani
President Nazarbayev. Secretary Johanns expressed U.S.
appreciation for the bilateral relationship and Saakashvili's
efforts on behalf of democracy. Saakashvili identified
energy as an urgent issue in the region. Reflecting on the
recent Russian-Ukrainian gas conflict, Saakashvili opined
that Russia had hoped Europe would blame Ukraine; thanks to
the forceful U.S. reaction, Putin's strategy had failed.
Saakashvili and the U.S. delegation agreed on the urgency of
dissuading President Niyazov from committing Turkmenistan's
gas supplies to Russia. In the longer run, new gas and oil
sources and transportation routes were needed to lessen
Western dependency on Russia. Saakashvili told the Secretary
that Georgia and Ukraine were spearheading an effort to issue
a seven-country "Energy Declaration" criticizing Russia's
non-market behavior and calling for a new "energy corridor."
Saakashvili asked the U.S. to use its G8 leverage to induce
Russia to seek peace in South Ossetia, and described a
well-funded Russian propaganda campaign to "discredit
democracy" in Georgia and Ukraine. The U.S. delegation
voiced support for the idea of an "Energy Declaration" and
agreed on the importance of diversifying European gas
supplies away from Gazprom's monopoly control. End summary.

Expressions of Mutual Appreciation

13. (C) Secretary Johanns opened the meeting by telling
Saakashvili that the U.S. appreciated its partnership and
"open, candid bilateral relationship" with Georgia. He
complimented Saakashvili on his January 9 editorial in the
Washington Post, calling it "a very thoughtful approach to
your future." Secretary Johanns also commended Saakashvili
for his government's "diplomatic approach" to Georgia's
conflict issues. For his part, Saakashvili told the
Secretary that "it was important to Nazarbayev" that

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Secretary Johanns had come to the inauguration. He then

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contrasted U.S. and Russian approaches to the region, telling
the Secretary that, with the U.S., "you get 'soft power.'" In
his visit to Georgia, President Bush had demonstrated a
"sophisticated knowledge of local issues...and had even
addressed the public in Georgian." Russia, by contrast,
"thought that being a superpower meant pushing someone."
Russia sees other countries in black and white, Saakashvili
continued, and divides the world into "their friends and
'America's stooges.'" He then laughed: "And we are the most
outspoken American stooges."

Reflecting on the Ukrainian-Russian Gas Dispute

14. (C) "Energy," Saakashvili began, "is THE issue in the region," and the political dynamics of the area were best seen as a conflict of interest between "energy deficit countries and a country that wants to regain its superpower status" -- by exercising its monopoly power over energy supplies. Russia's recent doubling of Georgian gas prices was one example of Russia's "outrageous behavior," Saakashvili explained, and just one aspect of the pressure Russia was bringing to bear on Georgia for its democratic and Western leanings.

15. (C) Asked by U/S Shiner whether he thought Putin had been personally involved in the decision to cut off gas supplies to Ukraine, Saakashvili replied that he was "100% percent sure the decision had been made at the highest level." Putin, he said, "thought Russia had enough leverage over the Europeans to get them to blame Ukraine" for the disruption of gas supplies. Given European "passivity," Putin might have succeeded -- had it not been for the U.S. "Thanks to the U.S. reaction, Putin got the opposite effect." Putin, Saakashvili said, had been "taken aback by U.S. toughness." While it was fair to say that Putin "miscalculated," Putin "always does this. He doesn't have his own brakes...he can only go back when he feels resistance." The U.S. reaction, Saakashvili continued, had been "important" to Yushchenko. "He felt flattered by the U.S. reaction."

16. (C) The Secretary asked Saakashvili to assess the aftermath of the gas dispute: how much ill will had the Russian's created? "The damage was huge," Saakashvili said. "The Europeans are panicked. For the first time, they saw the danger. Now, they are physically afraid."

Saving Turkmen Gas from the Russian Monopoly

17. (C) Saakashvili said that it was "very important" to reduce Russia's monopoly control of oil and gas supplies. Urgent action was needed with regard to Turkmenistan: having failed to "blackmail Ukraine," Saakashvili warned, Putin was now focused on getting Turkmenistan to commit its entire gas reserves to the Gazprom network. "The Ukrainians are trying to reach Niyazov today," Saakashvili told the delegation, in order to dissuade him from concluding a deal with Russia. Georgia, in turn, was trying to "convince the Ukrainians to make Turkmenistan a good offer." DAS Bryza responded by telling Shaakashvili that, while engaging Niyazov was "difficult for us diplomatically," he was going to see Niyazov on January 12 on this issue and at Georgian Prime Minister Noghaideli's request.

Developing Supply and Transportation Alternatives

18. (C) In the medium term, Saakashvili continued, Georgia needed to work with the U.S., its regional partners, and with the Europeans, to develop alternate supply sources and routes to get gas and oil to Europe. "We need to think about using Turkmen and Azeri gas to enhance European security, and to secure the independence of the new democracies -- Georgia and Ukraine." Saakashvili suggested that the U.S. could help by "inducing the Europeans to think of other options besides Russia." Further, the U.S. should continue to facilitate negotiations to ship Kazakhstani oil by means of the BTC pipeline: "Nazarbayev has problems with the Azeris," Saakashvili said, "and the Azeris perceive Kazakhstan as a competitor. But both will listen to you." Finally, Saakashvili remarked that Nazarbayev had recently reiterated Kazakhstan's interest in a "Caspian sea-bed pipeline." (Note: Saakashvili did not specify whether Nazarbayev was talking about an oil or gas pipeline. End note.)

Negotiating a Seven-Country "Energy Declaration"

19. (C) Saakashvili informed Secretary Johanns that Georgia was working with Ukraine and five other regional states (Azerbaijan, Turkmenistan, Kazakhstan, Moldova, plus one unspecified) on an "Energy Declaration," which would criticize Russian behavior during the gas crisis and promote the idea of "a new energy corridor." "Kazakhstan won't sign at this stage," Saakashvili admitted, "but maybe later, after others have agreed." Saakashvili said he was optimistic that the Azeris would sign, but the "key" was Turkmenistan. "We need to talk about prices, and what benefits this would bring everyone," he concluded. Saakashvili added that he hoped the declaration would be published "soon," ideally before a February Energy Conference in Georgia brought together representatives from GUAM, the EU, Turkey, the U.S., think tanks, and oil corporations.

110. (C) Commenting on the initiative to develop a new "energy corridor," Secretary Johanns told Saakashvili that "the Seven-Country Declaration is positive. We will work with you." U/S Shiner told Saakashvili that "Secretary Rice feels

that it is important that Europe focus attention on this strategy." DAS Bryza noted that the issuance of the Seven-Country Declaration could help the U.S. in its discussions with Niyazov.

South Ossetia

¶11. (C) U/S Shiner asked Saakashvili how the U.S. should use its G8 leverage on Russia. "Push them to do something on South Ossetia," Saakashvili replied. "Russia holds the key. They don't need South Ossetia -- only as a bargaining chip. This is the last chance for Putin to look like a peacemaker."

Earlier, Saakashvili had explained that Russian actions were undermining peace in the region: "South Ossetia gets gas for free from Russia. Why would they be interested in peace?" Furthermore, whereas Russia had recently banned imports of "basically all food products" from Georgia, and precisely during their harvest to inflict maximal harm, the ban did not apply to South Ossetia. Finally, Saakashvili complained that Georgia's border with Russia was "a smuggling paradise," and Russian banks operating in South Ossetia laundered money and otherwise abetted criminal behavior. "Even the most criminal countries in the world don't act this openly," he complained.

Uzbekistan

¶12. (C) U/S Shiner asked Saakashvili for his thoughts on how to moderate Uzbekistan. Saakashvili replied that Karimov was afraid, and thus was clinging to his personal and political relationship with Putin. "Putin and Karimov talked all the time at the inauguration," he observed. Saakashvili noted that Karimov's children were "wanted by the New Jersey courts" and were safe only in Russia. In terms of Uzbekistan's development, "I think we will see a hardening of the regime...there are many Islamic extremists, and they are not afraid to die."

Russian Propaganda to Discredit Democratization

¶13. (C) Saakashvili told Secretary Johanns that Russia was using propaganda in both Georgia and Russia in an attempt to "discredit democracy." In Georgia, he said, the Russians were using the hike in gas prices to label his administration as "incompetent on energy." Thanks in part to Kazakhstan's intervention to help with gas distribution, however, the plan was "backfiring." Russia, however, was also financing a "huge propaganda campaign" against his government, bankrolling internal opposition groups, including NGOs and journalists. It was ironic, Saakashvili noted, that Russia was using the same propaganda techniques that it accused the West of using to instigate the "Rose Revolution."

¶14. (C) The Secretary concluded the meeting by reiterating U.S. appreciation of Saakashvili's efforts on behalf of democracy. Saakashvili responded by telling the Secretary that the Georgians appreciated U.S. support. "America has very committed friends in this region," he said.

¶15. (U) Secretary Johanns did not have the opportunity to clear this cable.

ASQUINO